

# CAMFLO MINES LIMITED / ANNUAL REPORT 1977

AR51









*Camflo discovered, developed and operates a highly efficient gold mine in the Malartic area of Northwestern Quebec.*

*Natural gas production is a rapidly growing source of income as a result of Camflo's participation in exploration programmes in Canada and the United States.*

*Principal mineral exploration programmes involve uranium, gold and industrial minerals in Canada and silver, lead, zinc in Spain.*

*Through subsidiary and associated companies together with investments in other resource companies, Camflo participates in coal mining in Ohio, oil and gas projects in Canada and the United States and the discovery and development of geothermal sources of power in the United States.*

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## BOARD OF DIRECTORS

William G. Brissenden, Toronto, Ontario  
*Mining Engineer*

Stanley J. Chad, Calgary, Alberta  
*Petroleum Engineer, President, Signalta Resources Limited*

Robert E. Fasken, Mississauga, Ontario  
*Mining Executive, Chairman, United Siscoe Mines Limited*

Brian K. Meikle, Mississauga, Ontario  
*Geologist, General Manager Operations, Camflo Mines Limited*

George T. Smith, Toronto, Ontario  
*Barrister and Solicitor, President, Camflo Mines Limited*

Robert M. Smith, Oakville, Ontario  
*Mining Engineer, President, United Siscoe Mines Limited*

Arthur W. Stollery, Unionville, Ontario  
*Mining Executive, Chairman, Camflo Mines Limited*

## CONSULTANT

S. Cameron Brown, Havelock, Ontario

## EXECUTIVE AND HEAD OFFICE

Suite 3001, South Tower, P.O. Box 45  
Royal Bank Plaza  
Toronto, Canada M5J 2J1

## MINE OFFICE

P.O. Box 640, Malartic, Quebec, J0Y 1Z0

## OFFICERS

Arthur W. Stollery — *Chairman*

George T. Smith — *President*

Robert E. Fasken — *Vice President*

Robert M. Smith — *Vice President Operations*

Brian K. Meikle — *General Manager Operations*

Meredith E. Holt — *Manager of Exploration*

Kenneth E. Elrick — *Treasurer*

David Doig — *Secretary*

Robert D. Sherman — *Assistant Treasurer*

R. Geoffrey Newbury — *Counsel*

## TRANSFER AGENT AND REGISTRAR

The Royal Trust Company  
Toronto, Ottawa, Montreal

## AUDITORS

Thorne Riddell & Co.  
Chartered Accountants, Toronto, Canada

## BANKERS

The Royal Bank of Canada  
Toronto, Canada

## MINE STAFF

*Mine Manager — Armand Mailloux*

*Assistant Mine Manager — Alex Makila*

*Chief Engineer — Gordon Fleming*

*Electrical Superintendent — Donald Lalonde*

*Mill Superintendent — Roger Jolicoeur*

*Production Engineer — Michel Sirois*

*Mine Accountant — Franc Vodopivec*

*Mine Captain — Michel Rioux*

## SHARE LISTING

The Toronto Stock Exchange  
Montreal Stock Exchange

## ANNUAL MEETING OF SHAREHOLDERS

May 29, 1978, 11:00 a.m.  
Manitoba Room, Royal York Hotel,  
Toronto, Canada



## Comparative Review of 1977 Highlights

| Operating   | 1977         | 1976         |
|---|--------------|--------------|
| Tons of Ore Milled .....                              | 471,798      | 463,721      |
| Ounces of Gold Recovered .....                        | 87,433       | 90,458       |
| Average Gold Price Received Per Ounce .....           | \$ 162.50    | \$ 121.67    |
| Mining Operating Cost Per Ounce .....                 | \$ 67.49     | \$ 61.01     |
| Ore Reserves at Year End (Tons) .....                 | 2,117,650    | 2,400,550    |
| Recoverable Grade: Ozs./Ton .....                     | 0.174        | 0.177        |
| Proven Petroleum & Natural Gas Reserves:              |              |              |
| Gas — billion cubic feet .....                        | 34           | 22           |
| Oil & Condensate — barrels .....                      | 77,011       | 89,664       |
| Natural gas sales — million cubic feet .....          | 1,565        | 760          |
| — daily average .....                                 | 4            | 2            |
| Oil & condensate sales — barrels .....                | 12,653       | 9,000        |
| — daily average .....                                 | 35           | 25           |
| <b>Financial</b>                                      |              |              |
| Gross Value of Bullion Production .....               | \$14,207,549 | \$11,005,763 |
| Revenue from Petroleum & Natural Gas Operations ..... | \$ 1,789,039 | \$ 683,328   |
| Net Income .....                                      | \$ 3,709,992 | \$ 2,045,323 |
| Per Share .....                                       | \$ 1.08      | \$ 0.60      |
| Cash Flow from Operations .....                       | \$ 5,780,125 | \$ 3,639,891 |
| Per Share .....                                       | \$ 1.67      | \$ 1.06      |
| Dividends Paid .....                                  | \$ 1,373,243 | \$ 1,375,643 |
| Per Share .....                                       | \$ 0.40      | \$ 0.40      |
| Working Capital — December 31 .....                   | \$ 306,101   | \$ 1,419,616 |
| Long Term Debt — December 31 .....                    | \$ 2,500,000 | \$ —         |
| Shareholders' Equity — December 31 .....              | \$16,891,773 | \$13,511,024 |
| Shares Outstanding — December 31 .....                | 3,526,107    | 3,439,107    |
| Shares Outstanding — December 31 .....                | 3,450,920    | 3,439,107    |
| (Weighted Average)                                    |              |              |
| Number of Registered Shareholders — December 31 ..... | 2,923        | 2,965        |

## Directors' Report to the Shareholders

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Substantially higher prices for gold bullion coupled with close control of mining costs and increased productivity, sharply increased revenue from oil and natural gas operations in Canada and the United States, particularly in the last quarter, were the principal factors in the 81% rise in 1977 earnings. A negative influence on profits arose from the company's share of losses from coal operations in the United States incurred by 49.6% owned La Luz Mines Limited, a situation aggravated by the recent national coal strike.

Net profit for the year at \$3,709,992 was equal to \$1.08 a share, an increase from \$2,045,323 or 60¢ a share reported in 1976. This profit is after absorption of the company's share of losses of La Luz Mines Limited of \$330,948, the equivalent of 9¢ a share, compared with \$306,739 or 9¢ a share in 1976.

Cash flow from operations was a record \$5,780,125, the equivalent of \$1.67 a share, a

59% increase from \$3,639,891 or \$1.06 a share in the previous year. Gross revenue in 1977 was \$15,996,588 compared with \$11,689,091.

Gold production was valued at \$14,207,549, also a record, compared with \$11,005,763 in 1976, an average of \$162.50 per ounce compared with \$121.67 in the previous year.

Mine operating cost per ounce of gold recovered was \$67.49 compared with \$61.01 in 1976. This is the second lowest cost per ounce of any gold mine in Canada.

Gross revenue from oil and gas sales, after royalties, was \$1,789,039 compared with \$683,328 reported for 1976. Oil and gas accounted for about 11% of gross revenue, a rise from just under 6% last year.

During 1977 Camflo paid dividends of 40¢ per share — the 11th consecutive year of semi-annual dividend payments to shareholders.

In 1973 the company embarked on a series of major undertakings to develop substantial energy-related assets.

Up to December 31, 1977, the company had invested approximately \$6.5 million on oil and gas exploration and development. Natural gas operations now involve participation by Camflo in 234 wells in Canada and the United States. In association with other active oil and gas companies the company is directly involved in exploration and development projects in Alberta, British Columbia, East Texas and Montana. Already, proven petroleum and natural gas reserves represent an important long-term asset estimated by independent consultants to be approximately 34 billion cubic feet at December 31, 1977.



Since 1973 Camflo has spent some \$1.8 million on mineral exploration, the largest project to date being the on-going Kasmere Lake uranium exploration programme in northwestern Manitoba. In 1977 the company acquired a net 21¼% interest in the Iberian Syndicate which is exploring for silver-lead-zinc deposits in Spain. Also during 1977 the company entered into an industrial mineral exploration programme in Canada in partnership with Allied Chemical Canada Ltd.

At December 31, 1977 the company had invested some \$9½ million in the shares of other resource companies with a then quoted market value of approximately \$12 million. Included in this total investment is the company's 49.6% equity interest in La Luz Mines Limited which, in turn, has a half interest in 3 coal mines in Ohio with reserves of more than 30,000,000 tons of coal with an anticipated life of 25 years.

These exploration programmes and investments are summarized elsewhere in the Annual Report.

As in the past, the immediate outlook is heavily influenced by world gold markets. The rising trend in bullion prices which contributed to a sharp increase in 1977 fourth quarter earnings has continued into the first quarter of 1978. In an environment of unstable international money markets, the outlook for bullion for the balance of the year appears favourable.

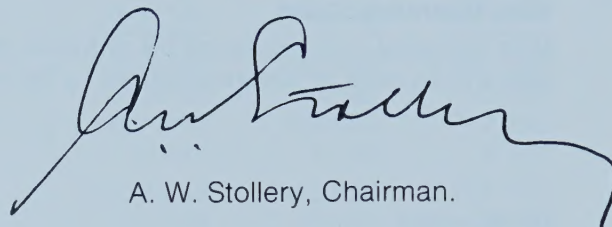
Natural gas production will again increase in 1978 as recently discovered reserves are brought into production. Exploration by the Company for petroleum and natural gas in Canada and the United States continues at a record pace.

The recent settlement of the United States coal strike will permit the expanded La Luz coal operation to enhance the total earnings flow.

Accelerated exploration programmes are underway for uranium, silver, lead, zinc, gold and industrial minerals.

The future of the Company depends on the abilities and efforts of the people associated with Camflo. On behalf of the Shareholders, we express our appreciation for their continuing efforts.

On behalf of the Board of Directors.

A handwritten signature in dark ink, appearing to read 'A. W. Stollery', with a long, sweeping horizontal line extending to the right.

A. W. Stollery, Chairman.

A handwritten signature in dark ink, appearing to read 'G. T. Smith', with a long, sweeping horizontal line extending to the right.

G. T. Smith, President.

May 1, 1978.

# Review of Operations

## GOLD MINING

Activities in the gold mine in the Malartic area are outlined in detail in the following report.

### Production

In 1977 the mill treated 471,798 tons of ore, an average of 1,293 tons per day. The recovered grade was 0.185 ounces of gold per ton and 87,433 ounces of gold were produced worth \$14,207,549. The mill recovery was 95.6% as compared to 95.7% in 1976.

|                                      | 1977    | 1976    | 1975    |
|--------------------------------------|---------|---------|---------|
| Tons of ore milled .....             | 471,798 | 463,721 | 456,123 |
| Average recovered grade oz/ton ..... | 0.185   | 0.195   | 0.194   |
| Ounces produced .....                | 87,433  | 90,458  | 88,568  |

### Mine Operating Costs

Mine operating costs increased 5% to \$12.51 per ton. Productivity increased from 11.4 to 12.0 tons per man shift as more tons were produced by the same size labour force.

|                   | 1977               |                        | 1976               |                        |
|-------------------|--------------------|------------------------|--------------------|------------------------|
|                   | Total Cost         | Cost per<br>Ton Milled | Total Cost         | Cost Per<br>Ton Milled |
| Development ..... | \$ 203,365         | \$ 0.431               | \$ 261,387         | \$ 0.564               |
| Mining .....      | 3,117,078          | 6.607                  | 2,932,135          | 6.323                  |
| Milling .....     | 1,388,835          | 2.944                  | 1,278,254          | 2.756                  |
| General .....     | 1,101,952          | 2.336                  | 954,053            | 2.057                  |
| Marketing .....   | 89,805             | 0.190                  | 92,684             | 0.200                  |
| TOTAL .....       | <u>\$5,901,035</u> | <u>\$12.508</u>        | <u>\$5,518,513</u> | <u>\$11.900</u>        |

### Summary of Ore Extraction by Levels

| Level     | Tonnage | Ounces/Ton |
|-----------|---------|------------|
| 1100-1300 | 50,818  | 0.156      |
| 1300-1500 | 51,170  | 0.127      |
| 1500-1650 | 17,698  | 0.137      |
| 1650-1800 | 7,367   | 0.139      |
| 1800-1950 | 146,825 | 0.220      |
| 1950-2100 | 32,676  | 0.213      |
| 2100-2250 | 97,580  | 0.186      |
| 2250-2400 | 54,699  | 0.186      |

### Mine Development

Drifting on the 2550 opened up one lense of diorite ore, and on the 2700, drifting disclosed a strong new lense of diorite ore adjacent to the Willroy property. The drift was continued onto their ground but a limited drilling programme failed to disclose any more ore. Other drilling on the 2700 outlined some low grade porphyry ore and some ore in sediments along one of the major faults.

The main north cross-cut on the 2850 was driven and initial exploration outlined some minor ore lenses in a fault zone. Additional development will be done in 1978.

Five holes from the main north cross-cut on the 3150 level gave negative results.

It is now becoming apparent that large new ore reserves are unlikely to be found on the deeper levels of the mine. There are still good exploration targets to investigate however, and the chances of finding additional ore reserves are favourable.

During the year ventilation and escape raises were completed to the 2850 level and a considerable amount of development raising was done in the diorite stopes.



|  | 1977   | 1976   | 1975   |
|--|--------|--------|--------|
| Feet of Drifting and Cross-cutting ..... | 4,365  | 6,127  | 4,143  |
| Feet of Raising .....                    | 4,950  | 6,067  | 3,206  |
| Feet of Diamond Drilling .....           | 9,332  | 12,842 | 12,318 |
| Stope Preparation — Feet .....           | 6,102  | 5,535  | 5,888  |
| — Tons .....                             | 31,424 | 29,523 | 21,139 |

### Ore Reserves

Total proven and indicated ore reserves at December 31, 1977 were 2,117,650 tons of 0.174 ounces of gold per ton. This is a decrease of 282,900 tons after the milling of 471,798 tons. Grades reported are for the estimated recoverable gold, and details of the reserves are as follows:

|   | Tons at<br>Year End<br>1977 | Tons at<br>Year End<br>1976 | Tons at<br>Year End<br>1975 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Broken Ore Underground .....            | 242,900                     | 326,337                     | 212,562                     |
| Stockpile Ore on Surface .....          | 300                         | 3,363                       | 3,717                       |
| Total Broken Ore .....                  | 243,200                     | 329,700                     | 216,279                     |
| Total Broken and Drilled Off .....      | 525,134                     | 559,250                     | 555,551                     |
| Broken and Proven — Tons .....          | 1,516,400                   | 1,742,000                   | 2,008,100                   |
| — Oz/Ton .....                          | 0.186                       | 0.186                       | 0.194                       |
| Indicated — Tons .....                  | 601,250                     | 658,850                     | 717,350                     |
| — Oz/Ton .....                          | 0.142                       | 0.152                       | 0.147                       |
| Total Proven and Indicated — Tons ..... | 2,117,650                   | 2,400,550                   | 2,725,450                   |
| — Oz/Ton .....                          | 0.174                       | 0.177                       | 0.182                       |

The tonnages reported include a 10% allowance for dilution. At a production rate of 1,260 tons per day, the total proven and indicated tonnage represents a 4.6 year reserve.

### General






Development and exploration on the new levels will be continued in 1978.

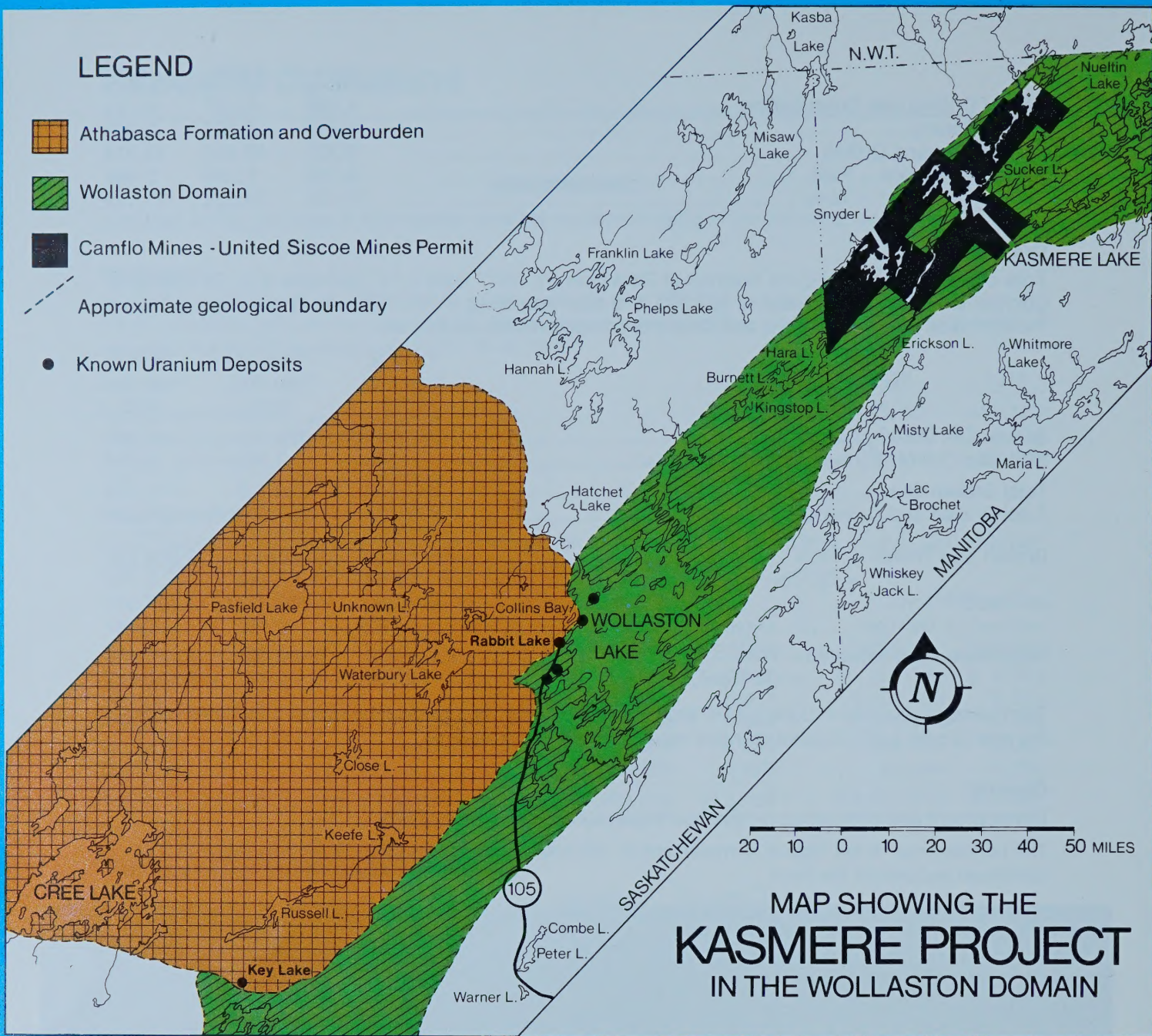
The performance of the regular complement of 155 employees continues to be a major factor in the continued success of the mine.





## LEGEND

-  Athabasca Formation and Overburden
-  Wollaston Domain
-  Camflo Mines - United Siscoe Mines Permit
-  Approximate geological boundary
-  Known Uranium Deposits



MAP SHOWING  
THE SIERRA MORENA  
SILVER-LEAD-ZINC BELT  
SPAIN



## **MINERAL EXPLORATION**

### **The Kasmere Lake Uranium Exploration Project**

Since 1976 Camflo has been engaged in a uranium exploration programme in northwestern Manitoba.

The programme has moved through the phases of ground acquisition, establishment of base camp and auxiliary camps, airborne surveys, geochemical surveys, regional mapping and prospecting to target identification and preparation for diamond drilling. Preliminary diamond drilling done in 1977 has intersected uranium mineralization in several areas and in different geological environments.

Compilation of the initial work followed by detailed surveys this winter defined several new targets which will be drilled in 1978. Further surveys will outline other areas for diamond drilling, and general reconnaissance will be continued in the northern part of the property.

Due to budgetary constraints imposed by the new Government of Manitoba, the Province has withdrawn from active financial participation in exploration in this project. The Company is proceeding with its planned programmes for the 1978 and 1979 seasons.

### **The Iberian Exploration Syndicate**

Camflo has a 21¼% net interest in this syndicate which was formed to explore and develop silver, lead and zinc deposits along the Sierra Morena belt located in southern Spain. The belt has an interesting history. Production started in pre-Roman days and reached a peak during the Roman occupation of Spain when more than 20 deposits were mined for silver and lead. Production virtually ceased until the latter part of the eighteenth century when Spanish, French and English companies worked the mines. Low silver prices and lack of technology caused most of the mines to shut down about 1920. A few operations continued until the Spanish Civil War in 1936.

The objective of the Syndicate is to explore for lateral extensions, repetitions, new veins or zones and possible depth extensions under the old workings. This will be the first full scale modern exploration programme carried out in the area.

The Iberian Exploration Syndicate has acquired the mineral rights covering an aggregate strike length of about seventy miles and an average width of approximately seven miles. This represents a total area of some three hundred thousand acres.

The work programme currently underway involves geological studies of the ancient mining areas, and geochemical and geophysical surveys. Initial results have justified a diamond drilling programme which will commence in May of this year.

### **Other Projects**

In association with Allied Chemical Canada, Ltd., the Company is in the first phase of an evaluation of industrial mineral deposits and is concentrating its efforts in western Canada.

The Company continues to maintain its interest in the Beersville coal project in New Brunswick and in base metal claims in the Gaspe area. Exploration programmes are underway on gold and uranium prospects in Ontario.



## PETROLEUM AND NATURAL GAS

Camflo has now participated in drilling 339 wells in Canada and the United States of which 234 were successful, an average of 69%. In 1977 a total of 83 wells were drilled of which 56 were completed, for a success ratio of 68%.

### Exploration

#### Canada

Camflo's main exploration thrust in Canada is carried out in Alberta and British Columbia in association with Signalta Resources Limited of Calgary. During the year the Company participated as to a 25% interest in drilling 52 wells of which 35 were cased as potential producers. This programme has been successful in finding natural gas much of which is being brought on stream. This is significant at this time when a gas surplus exists in Alberta. During 1978 an expanded exploration programme will be undertaken with Signalta in western Canada.

In 1977 Camflo acquired an 11% interest in a 10 well drilling programme in Alberta operated by Renaissance Resources Limited of Calgary. Six wells were cased as potential producers. In 1978 about 20 wells will be drilled by Renaissance in Alberta and British Columbia, with Camflo having a 14.6% interest in this programme.

At December 31, 1977 Camflo had varying interests in approximately 450,000 gross acres in Alberta and British Columbia.

#### United States

The Company carries out exploration in east Texas and Montana through its wholly-owned subsidiary, C.M.L. Inc., which has a 15% working interest in programmes operated by Orbit Oil & Gas, Inc. of Tyler, Texas.

No exploration drilling took place during the year in east Texas largely due to a shortage of drilling rigs.

Depending on rig availability 6 deep wells to the Smackover formation are scheduled for 1978 together with 3 shallow Woodbine wells. The Orbit Joint Venture now has interests in about 15,000 gross acres in east Texas.

The Orbit/Montana Joint Venture has been expanded to include North Dakota and Saskatchewan, and has interests in about 11,000 gross acres in the area. The region has taken on added interest following a recent deep discovery well by others in North Dakota. The principal target of this programme is oil. Work is expected to start on 2 Radcliffe formation wells in Montana during May 1978.



*Drilling rig at A. H. Ganze #1 well, Round Prairie, East Texas.*



*Roughnecks connecting pipe during drilling operations at A. H. Ganze #1 well.*



## Production and Development

### Camflo's Share of Production before Provincial Royalties or State taxes

|                     | 1977                        |                            | 1976                        |                            |
|---------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Natural Gas         | Million Cubic Feet Per Year | Million Cubic Feet Per Day | Million Cubic Feet Per Year | Million Cubic Feet Per day |
| Canada .....        | 1,444                       | 3.95                       | 706                         | 1.93                       |
| United States ..... | 121                         | .33                        | 54                          | .15                        |
| .....               | <u>1,565</u>                | <u>4.00</u>                | <u>760</u>                  | <u>2.00</u>                |
| Oil and Condensate  | Barrels Per Year            | Barrels Per Day            | Barrels Per Year            | Barrels Per Day            |
| United States ..... | <u>12,653</u>               | <u>35.00</u>               | <u>9,000</u>                | <u>25.00</u>               |

#### Canada

In Canada Camflo's total natural gas production doubled during 1977 and during December averaged 5.6 million cubic feet per day.

In the Camflo/Voyager Joint Venture in east-central Alberta, plant capacity was increased at the beginning of the year. Voyager, the operator, also received an upward redetermination of recoverable reserves under the provisions of their gas purchase contract which allowed increased daily contract volumes effective November 1, 1977. Gathering lines were installed to connect gas wells previously drilled. During the year the Company participated in drilling 20 wells of which 15 were cased.

The Camflo/Signalta Joint Venture in Alberta and British Columbia brought 6 additional wells into production during 1977. Production from this operation will increase in 1978 as additional wells are brought on stream.

#### United States

Initial production in the east Texas programme started when the C. E. Turner #1 well came on stream in September 1977, and is now averaging 4 million cubic feet per day. An off-setting well is presently being drilled by the Joint Venture and 2 off-setting wells are being drilled by third parties under farmout agreements.

Production from the C. H. Mayes #1 sour gas well at Mitchell Creek is scheduled to commence in July 1978 at 10 million cubic feet per day following installation of surface facilities and a 25 mile pipe line.

In early 1978 the Joint Venture purchased two additional shut-in sour gas wells at Round Prairie in east Texas, and a third well is now being drilled (See illustration).

### Camflo's Share of Reserves

(Before Provincial Royalties or State Taxes)

|  | Natural Gas<br>(Billions of Cubic Feet) |              | Total Proven and Probable | Oil & Condensate<br>(Barrels) Proven |
|--|---|--------------|---------------------------|--------------------------------------|
|  | Proven                                  | Probable     |                           |                                      |
| <b>Canada (Alberta &amp; British Columbia)</b> |   |              |                           |                                      |
| Camflo/Voyager (1) .....                       | 29.125                                  | 1.744        | 30.869                    | —                                    |
| Camflo/Signalta (1) .....                      | 2.918                                   | .092         | 3.010                     | —                                    |
| Camflo/Renaissance (3) .....                   | .400                                    | —            | .400                      | —                                    |
| Total Canadian Reserves .....                  | <u>32.443</u>                           | <u>1.836</u> | <u>34.279</u>             | <u>—</u>                             |
| <b>United States</b>                           |   |              |                           |                                      |
| CML/Daleco (Ohio) (3) .....                    | .054                                    | —            | .054                      | 42,368                               |
| CML/Orbit (E. Texas) (2) .....                 | 1.843                                   | —            | 1.843                     | 34,643                               |
| Total United States Reserves .....             | <u>1.897</u>                            | <u>—</u>     | <u>1.897</u>              | <u>77,011</u>                        |
| Total Canadian & United States Reserves .....  | <u>34.340</u>                           | <u>1.836</u> | <u>36.176</u>             | <u>77,011</u>                        |

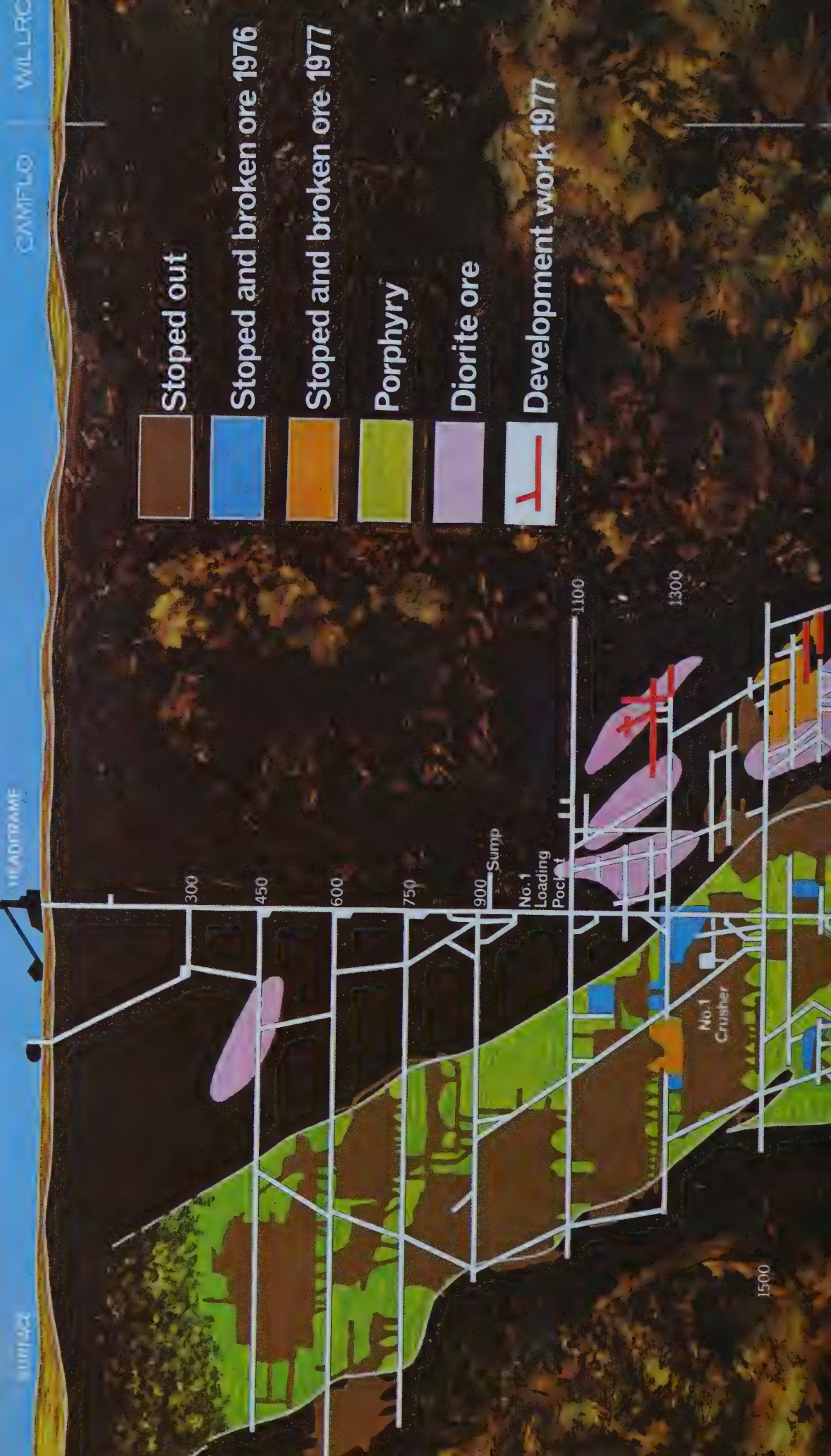
1. As estimated by DeGolyer & MacNaughton — Dallas.

2. As estimated by Netherland, Sewell & Associates Inc. — Dallas.

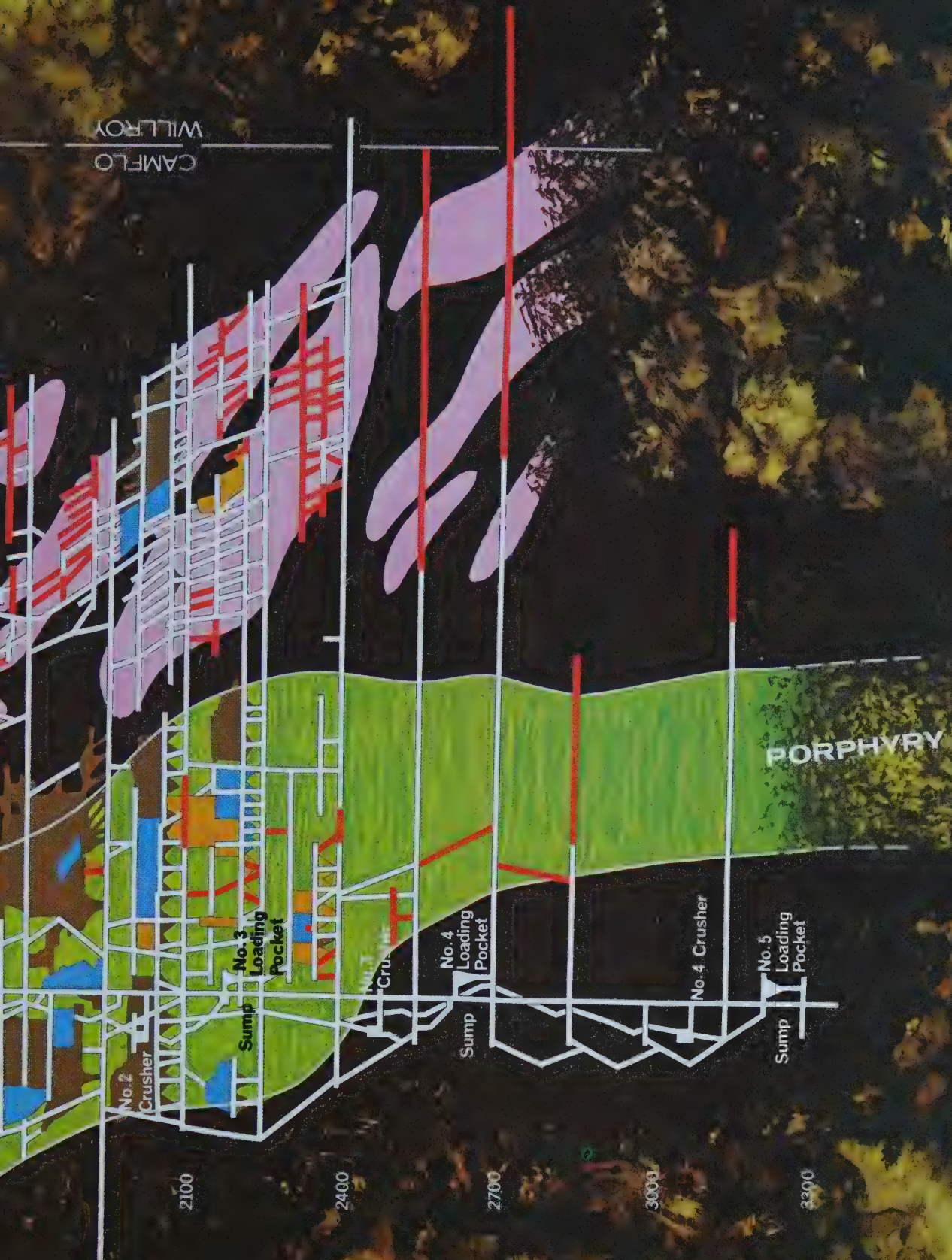
3. Company estimate.



# Camfilo Mines Limited







Longitudinal projection · Looking north



## INVESTMENTS

### La Luz Mines Limited

Camflo has a 49.6% interest in La Luz Mines which company has a 50% Joint Venture participation in three coal mines in Ohio. The mines now have a combined production capacity of 1.2 million tons annually from reserves sufficient for 25 years. The Joint Venture supplies Ohio utilities with thermal coal.

The United Mineworkers' nation-wide strike which started late in 1977 after a period of disruptions by wildcat strikes, lasted almost four months. This occurred as the La Luz Joint Venture contended with start-up problems making this a difficult period, with resulting losses.

The settlement of the national strike promises a period of accelerated production in the near future which should lead to a positive cash flow for the Joint Venture during 1978.

In return for guaranteeing certain bank borrowings by the Joint Venture, Camflo receives a royalty of 10¢ a ton on coal mined during a ten year period.

Besides its coal interests La Luz also receives income from natural gas participations in Alberta and from royalties on tungsten produced from its California mine.

### Other Investments — Oil and Gas, Geothermal Power, Exploration and Gold

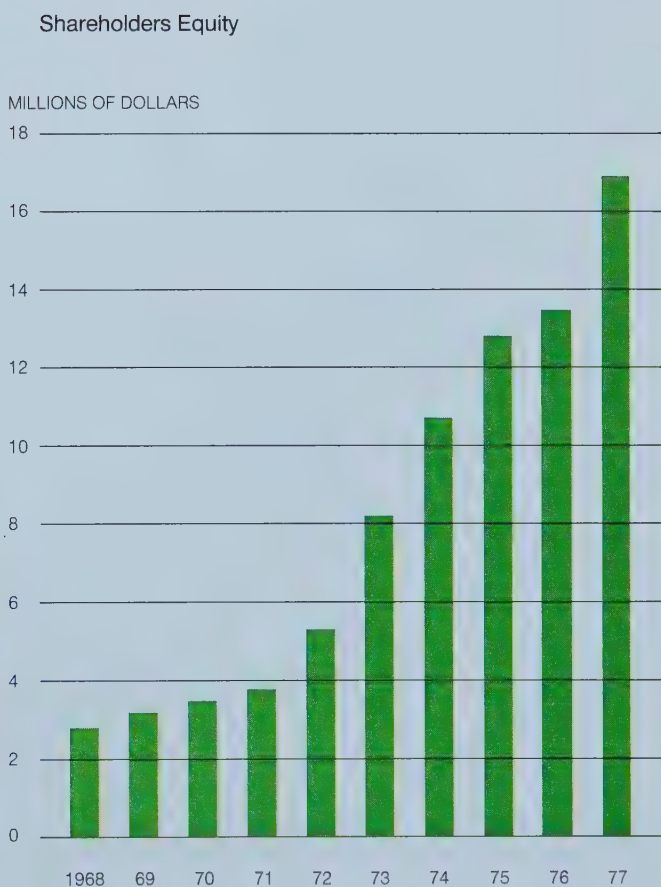
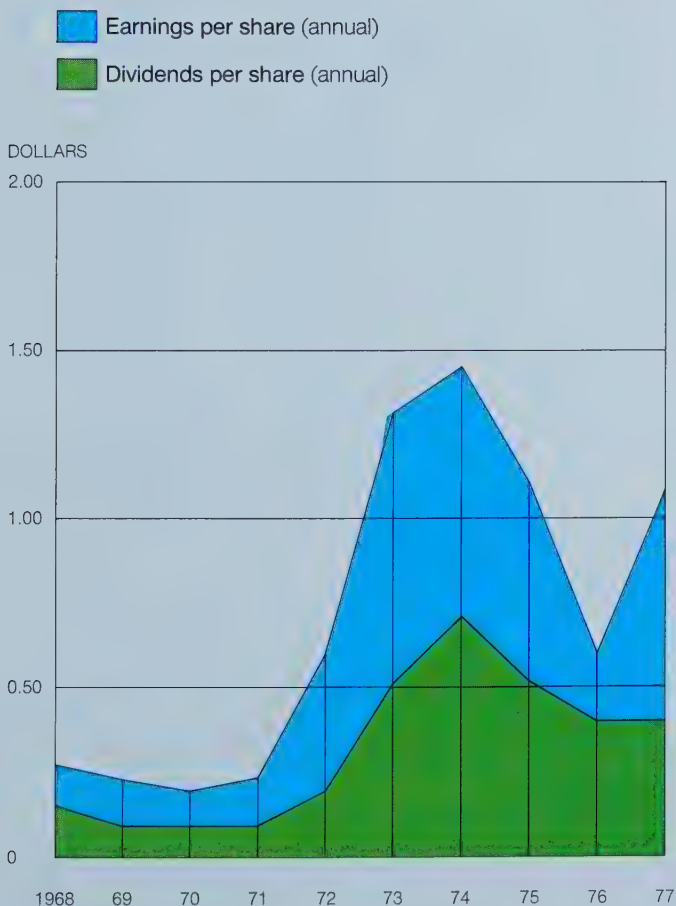
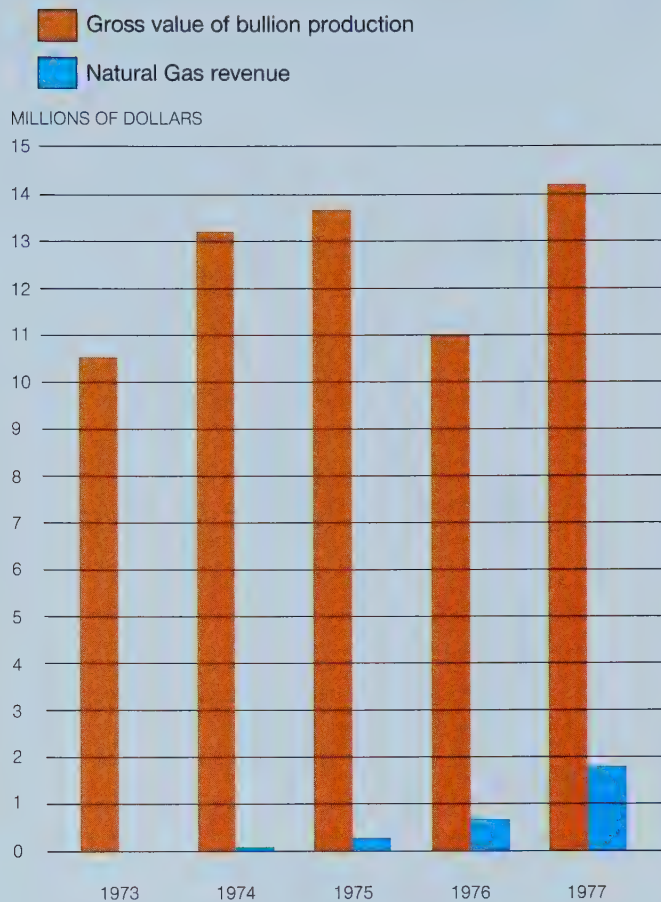
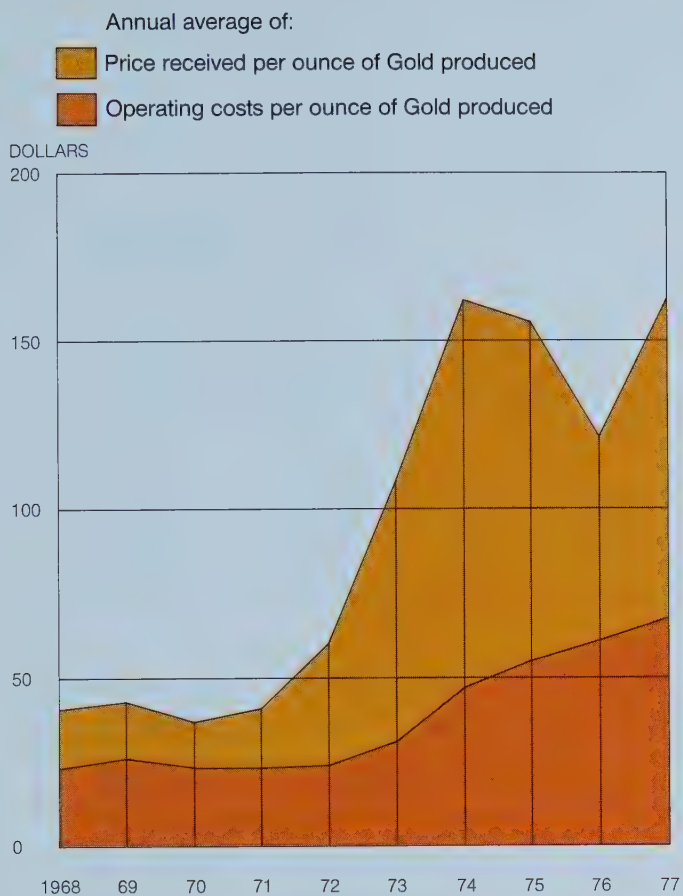
The Company has a 10% equity interest in **Merland Explorations Limited**, a fast growing Canadian oil and gas exploration company with interests in Canada and the United States.

An investment of approximately 8% is held in **United Siscoe Mines Limited** which in turn holds 18.5% of Camflo. United Siscoe is concentrating, through its subsidiary, Geothermal Kinetics, Inc., on developing geothermal steam sources in the western United States for use in generating electricity. Two such natural steam discoveries are to be developed, and exploration is underway seeking additional sources. United Siscoe is a partner with Camflo in the Kasmere Lake exploration programme, the Iberian Exploration Syndicate, and the Allied Chemical industrial minerals project.

The Company has held a minor investment in **Martin-McNeely Mines, Limited** and provided certain management services to that Company for some time. Martin-McNeely is engaged in oil and gas production and exploration in western Canada and has a 35% share interest in Wilmar Mines Limited, a former gold producer in the Red Lake area of Ontario. In connection with a share consolidation and subsequent rights offering by Martin-McNeely, the Company has agreed to purchase sufficient shares of that Company to guarantee it minimum proceeds of \$525,000 under the rights offering. For this commitment the Company has been granted an option to purchase additional shares to increase its shareholding to 25% of the outstanding shares of Martin-McNeely which will be renamed **Neomar Resources Limited**.

Other shareholdings include a 16% interest in **Lynx-Canada Explorations Limited**, a Canadian mineral exploration company and a 6% interest in **Silverstack Mines Limited** which is developing a Quebec gold property.







# Consolidated Balance Sheet

as at December 31, 1977

| <b>Assets</b>  | <b>1977</b>          | <b>1976</b>          |
|--|----------------------|----------------------|
| <b>CURRENT ASSETS</b>  |                      |                      |
| Bullion (note 2) .....   | \$ 2,796,364         | \$ 1,694,952         |
| Accounts and notes receivable .....  | 453,388              | 207,188              |
| Taxes recoverable .....  |                      | 55,232               |
| Ore Stockpile, at net realizable value .....                                       | 11,400               | 79,000               |
| Mine operating supplies, at cost .....   | 820,965              | 765,828              |
| Prepaid expenses and deposits .....  | 60,509               | 74,070               |
|  | <u>4,142,626</u>     | <u>2,876,270</u>     |
| <b>INVESTMENTS (note 3)</b>  |                      |                      |
| Effectively controlled resource company .....                                      | 4,769,645            | 3,346,369            |
| Other companies, at cost .....   | 5,766,076            | 2,158,026            |
|  | <u>10,535,721</u>    | <u>5,504,395</u>     |
| <b>FIXED ASSETS, at cost</b>   |                      |                      |
| Buildings and equipment .....  | 6,575,781            | 5,688,772            |
| Less accumulated depreciation .....  | <u>3,804,439</u>     | <u>3,279,236</u>     |
|  | 2,771,342            | 2,409,536            |
| Mining property .....  | 5,000                | 5,000                |
|  | <u>2,776,342</u>     | <u>2,414,536</u>     |
| <b>OTHER ASSETS AND DEFERRED EXPENDITURES</b>                                      |                      |                      |
| Exploration advances .....   | 692,178              | 329,577              |
| Mortgages receivable from employees .....  | 163,659              | 169,051              |
| Preproduction expenditures, less amortization .....                                | 58,588               | 75,328               |
| Deferred mine exploration and development expenditures, less<br>amortization ..... | 549,173              | 636,396              |
| Deferred exploration expenditures (note 4) .....                                   | 987,750              | 580,190              |
| Petroleum and natural gas properties, less depletion (note 5) .....                | 5,817,533            | 4,208,128            |
|  | <u>8,268,881</u>     | <u>5,998,670</u>     |
|  | <u>\$ 25,723,570</u> | <u>\$ 16,793,871</u> |



# CAMFLO MINES LIMITED

and its wholly owned subsidiary

Incorporated under the laws of Ontario

| Liabilities  | 1977                | 1976                |
|--|---------------------|---------------------|
| CURRENT LIABILITIES                                      |                     |                     |
| Bank loan and advances (note 6) .....                    | \$ 2,229,595        | \$ 836,630          |
| Accounts payable and accrued liabilities .....           | 904,410             | 620,024             |
| Taxes payable .....                                      | 702,520             |                     |
|  | <u>3,836,525</u>    | <u>1,456,654</u>    |
| PROVISION FOR TERMINATION OF EMPLOYMENT .....            | 120,272             | 103,193             |
| BANK LOAN (note 6) .....                                 | 2,500,000           |                     |
| DEFERRED INCOME TAXES .....                              | <u>2,375,000</u>    | <u>1,723,000</u>    |
| Shareholders' Equity                                     |                     |                     |
| CAPITAL STOCK (note 7)                                   |                     |                     |
| Authorized — 5,000,000 shares, par value \$1 each        |                     |                     |
| Issued — 3,526,107 shares (1976, 3,439,107 shares) ..... | 3,526,107           | 3,439,107           |
| Discount thereon (net) .....                             | 761,880             | 1,718,880           |
|  | <u>2,764,227</u>    | <u>1,720,227</u>    |
| RETAINED EARNINGS .....                                  | 14,127,546          | 11,790,797          |
|  | <u>16,891,773</u>   | <u>13,511,024</u>   |
|  | <u>\$25,723,570</u> | <u>\$16,793,871</u> |

Commitments (note 8)  
Contingent liabilities (note 9)

Approved by the Board

A. W. Stollery, Director

G. T. Smith, Director



# Consolidated Statement of Income

Year Ended December 31, 1977

|  | 1977                | 1976                |
|--|---------------------|---------------------|
| Bullion production .....   | \$ 14,207,549       | \$ 11,005,763       |
| Petroleum and natural gas production .....   | 1,789,039           | 683,328             |
|  | <u>15,996,588</u>   | <u>11,689,091</u>   |
| Operating and administrative expenses other than items set out below .....   | 7,165,487           | 6,307,972           |
| Quebec mining tax .....  | 1,100,000           | 600,000             |
| Interest.....  | 224,943             | 51,020              |
| Exploration .....  | 213,359             | 166,103             |
|  | <u>8,703,789</u>    | <u>7,125,095</u>    |
|  | <u>7,292,799</u>    | <u>4,563,996</u>    |
| Depreciation.....  | 608,086             | 542,373             |
| Amortization of preproduction expenditures .....   | 16,740              | 15,065              |
| Amortization of deferred mine exploration and development expenditures .....   | 156,907             | 127,279             |
| Depreciation and depletion of petroleum and natural gas properties .....   | 246,750             | 136,640             |
|  | <u>1,028,483</u>    | <u>821,357</u>      |
|  | <u>6,264,316</u>    | <u>3,742,639</u>    |
| Share of loss of effectively controlled resource company, net of related royalty and interest income (note 3(a)) ..... | (330,948)           | (306,739)           |
| Interest and other investment income .....   | 66,624              | 65,423              |
| Income before income taxes .....   | <u>5,999,992</u>    | <u>3,501,323</u>    |
| Income taxes   |                     |                     |
| Current .....  | 1,638,000           | 1,083,000           |
| Deferred.....  | 652,000             | 373,000             |
|  | <u>2,290,000</u>    | <u>1,456,000</u>    |
| NET INCOME .....   | <u>\$ 3,709,992</u> | <u>\$ 2,045,323</u> |
| EARNINGS PER SHARE .....   | \$1.08              | \$ .60              |

# Consolidated Statement of Retained Earnings

Year Ended December 31, 1977

|                                    | 1977                 | 1976                 |
|------------------------------------|----------------------|----------------------|
| BALANCE AT BEGINNING OF YEAR ..... | \$ 11,790,797        | \$ 11,121,117        |
| Net income .....                   | 3,709,992            | 2,045,232            |
|                                    | <u>15,500,789</u>    | <u>13,166,440</u>    |
| Dividends paid .....               | 1,373,243            | 1,375,643            |
| BALANCE AT END OF YEAR .....       | <u>\$ 14,127,546</u> | <u>\$ 11,790,797</u> |



# Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1977

|   | 1977              | 1976                |
|---|-------------------|---------------------|
| WORKING CAPITAL DERIVED FROM  |                   |                     |
| Operations .....  | \$ 5,780,125      | \$ 3,639,891        |
| Proceeds from sale of investments in other companies .....              | 28,791            | 89,237              |
| Proceeds from sale of fixed assets .....                                | 5,775             |                     |
| Bank loan .....   | 2,500,000         |                     |
| Proceeds from issue of capital stock .....                              | 1,044,000         | 38,500              |
| Receipts on mortgages receivable from employees .....                   | 5,392             | 3,449               |
|   | <u>9,364,083</u>  | <u>3,771,077</u>    |
| WORKING CAPITAL APPLIED TO  |                   |                     |
| Additions to fixed assets .....   | 1,023,579         | 141,549             |
| Investment in and loan to effectively controlled resource company ..... | 1,734,424         |                     |
| Petroleum and natural gas properties .....                              | 1,856,155         | 1,627,538           |
| Increase in exploration advances .....                                  | 362,601           | 329,577             |
| Increase in deferred exploration expenditures .....                     | 407,560           | 101,333             |
| Dividends paid .....  | 1,373,243         | 1,375,643           |
| Purchase of shares of other companies .....                             | 3,650,352         | 1,361,194           |
| Mortgages receivable from employees .....                               |                   | 91,500              |
| Deferred mine exploration and development expenditures .....            | 69,684            | 116,971             |
| Reclassification of deferred income taxes to current .....              |                   | 48,000              |
|   | <u>10,477,598</u> | <u>5,193,305</u>    |
| DECREASE IN WORKING CAPITAL POSITION .....                              | 1,113,515         | 1,422,228           |
| WORKING CAPITAL AT BEGINNING OF YEAR .....                              | <u>1,419,616</u>  | <u>2,841,844</u>    |
| WORKING CAPITAL AT END OF YEAR .....                                    | <u>\$ 306,101</u> | <u>\$ 1,419,616</u> |

## Auditors' Report

To the Shareholders of  
Camflo Mines Limited

We have examined the consolidated balance sheet of Camflo Mines Limited as at December 31, 1977 and the consolidated statements of income retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 28, 1978

Thorne Riddell & Co.,  
Chartered Accountants



# Notes to Consolidated Financial Statements

Year Ended December 31, 1977

## 1. Summary of Significant Accounting Policies

### (a) Basis of consolidation

These financial statements include the accounts of the company and its wholly owned subsidiary C.M.L. Inc., a company incorporated under the laws of the State of Delaware, U.S.A., for the purpose of carrying out resource exploration in that country.

The company follows the equity method of accounting, including in earnings its share of the earnings and losses of La Luz Mines Limited of which it owns 49.6% of the issued shares.

Investments in incorporated and unincorporated joint ventures are accounted for on a proportionate consolidation basis; the company reflects its pro rata share of the assets, liabilities, revenues and expenses of each of its joint ventures.

### (b) Bullion

Bullion is reflected in the accounts at its actual net settlement value and/or at its estimated net realizable value less amounts received in advance pending final bullion settlement.

### (c) Depreciation, depletion and amortization

The company provides for depreciation on its mine assets and amortization on preproduction and deferred mine exploration and development expenditures on a straight-line basis over the estimated remaining life of the mine, as determined by proven ore reserves established from time to time. Other assets are being depreciated on a straight-line basis at a rate of 20% per annum.

Expenditures on mineral exploration programmes are deferred on a specific project basis until the viability of the project is determined. If a project is abandoned, the accumulated project costs are charged to income. If a project is developed, the related accumulated costs are amortized against future income from that project.

The company follows the full cost method of accounting whereby all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include acquisition costs, geological and geophysical expense, carrying charges on non-producing property, costs of drilling both productive and unproductive wells and related production equipment.

Proceeds received on disposal of properties are credited against such costs. Depreciation and depletion are provided on the net costs using the composite unit of production method based on total estimated proven reserves.

### (d) Translation of U.S. currency has been made as follows:

- (i) Current assets and liabilities, at exchange rates prevailing at the year end.
- (ii) All other assets and liabilities at the date the assets were acquired or the liabilities incurred.
- (iii) Income and expenses at the average rate for the year except for depreciation and amortization which is based on the cost of fixed assets as translated.

## 2. Bullion

That portion of the bullion for which actual settlements have not been made is valued at estimated net realizable value, using a value for gold of \$190 per ounce (1976, \$130 per ounce).

## 3. Investments

### (a) Effectively controlled resource company

The company holds 785,400 shares of La Luz Mines Limited (La Luz), being 49.6% of the issued shares of that company, and has an option to purchase an additional 105,710 shares at \$4.05 per share at any time between January and March 31, 1980.

The company's investment is comprised as follows:

|  |                    |
|--|--------------------|
| Equity in underlying net assets .....  | \$2,588,618        |
| Excess of cost of investment over<br>underlying net book values at dates<br>of acquisition — attributable<br>principally to resource investments | 421,922            |
| Loan, including related interest of<br>\$12,500 .....  | 1,672,000          |
| Royalty receivable (see note 9(a) (i))   | 87,105             |
|  | <u>\$4,769,645</u> |

The company's share of losses since acquisition is \$666,274. The loss for 1977 includes an adjustment in the estimated cost of completing the restoration of acreage affected by mining operations. Prior to July 1, 1977 estimated reclamation expense was based on a per acre cost as reflected by State of Ohio reclamation bonds. As of July 1, 1977 estimated reclamation expense is based on anticipated actual costs per acre as determined by a mining engineer survey. The change in the reclamation cost estimate resulted in a reduction of approximately \$450,000 in the company's share of the loss of La Luz Mines Limited for 1977.

The loan, made by C.M.L. Inc. to La Luz Ohio, Inc., a wholly owned subsidiary of La Luz, is secured by a security interest in the assets of La Luz Ohio, Inc. and by a guarantee of La Luz. The security provided is subject to prior security given to those companies in respect of a bank loan of U.S. \$13,000,000 made to an Ohio coal mining joint venture of which La Luz Ohio, Inc. is a 50% participant (see note 9(a) (i)).

### (b) Other resource companies, at cost less amounts written off

|   | <u>1977</u>        | <u>1976</u>        |
|---|--------------------|--------------------|
| Marketable securities<br>(quoted market value<br>\$7,495,000; 1976,<br>\$1,825,000) ..... | \$5,727,376        | \$2,006,826        |
| Securities with no quoted<br>market value .....   | 38,700             | 151,200            |
|   | <u>\$5,766,076</u> | <u>\$2,158,026</u> |

Certain of the securities are lodged with the company's banker as collateral (see note 6).



#### 4. Deferred Exploration Expenditures

The deferred exploration expenditures relate principally to a uranium prospect in Manitoba and a surface coal deposit in New Brunswick. Recovery of deferred expenditures will depend upon the development of reserves of sufficient economic value enabling profitable operations to be attained.

#### 5. Petroleum and Natural Gas Properties

|  | 1977               | 1976               |
|--|--------------------|--------------------|
| Petroleum and natural gas properties, together with exploration and development thereon: |                    |                    |
| Canada .....   | \$3,296,585        | \$2,559,447        |
| U.S.A. ....  | 1,687,672          | 1,045,680          |
|  | 4,984,257          | 3,605,127          |
| Production equipment ....  | 1,313,791          | 836,766            |
|  | 6,298,048          | 4,441,893          |
| Accumulated depletion and depreciation .....   | 480,515            | 233,765            |
|  | <u>\$5,817,533</u> | <u>\$4,208,128</u> |

#### 6. Bank Loans and Advances

Bank loans and advances consist of the following:

|                               |                    |
|-------------------------------|--------------------|
| Demand loan .....             | \$3,900,000        |
| Advances .....                | 829,595            |
|                               | \$4,729,595        |
| Classified as Long Term ..... | 2,500,000          |
|                               | <u>\$2,229,595</u> |

Certain of the company's investments in other resource companies having a quoted market value of \$4,150,000 at December 31, 1977 are pledged as collateral with the company's Banker. A bank loan of \$2,500,000 is to be secured by certain petroleum and natural gas interests and while definitive arrangements have not been finalized, the company has an understanding with its Banker that no payments will be required on the loan prior to December 31, 1978.

#### 7. Capital Stock

During 1977, stock options previously outstanding were exercised and the company received \$1,044,000 cash on the purchase of 87,000 shares at \$12 per share. On December 1, 1977 additional options were granted, pending regulatory approval, enabling certain employees to purchase 65,000 shares of the company at a price of \$14 per share. The options are to be exercisable as to 21,000 shares in the first year and 22,000 shares in each of the second and third years on a cumulative basis, expiring November 30, 1980.

#### 8. Commitments

##### (a) Planned resource programmes

At December 31, 1977 the companies were committed to make the following expenditures:

|   |            |
|---|------------|
| (i) Participation in a joint venture to carry out petroleum exploration in Alberta and British Columbia ..... | \$ 400,000 |
|---|------------|

|  |           |
|--|-----------|
| (ii) Exploration advances to be made to the operator of petroleum and natural gas exploration projects in Texas and Montana, U.S.A. .... | 1,540,000 |
| (iii) Current portion of consideration payable on purchase of units in exploration syndicate (see below) ...                             | 125,000   |

|  |           |
|--|-----------|
| Exploration commitments due on or before December 31, 1978 ..... | 2,065,000 |
|--|-----------|

|  |                    |
|--|--------------------|
| Balance of consideration payable at December 31, 1977 on purchase of units in a syndicate formed to conduct exploration in Spain, less portion due in 1978 as set out in (iii) above ..... | 187,500            |
|  | <u>\$2,252,500</u> |

##### (b) Standby commitment

In connection with a proposed rights offering to shareholders of Martin-McNeely Mines Limited, the company has undertaken to purchase sufficient shares of that company to guarantee minimum proceeds of \$525,000 under the rights offering. Additionally the company will receive the right to increase its shareholding up to 25% of the outstanding shares of that company.

##### (c) Lease

The company has a 10 year lease on its head office premises at an annual rental of approximately \$79,000.

##### (d) Pension Plan

Further to an Actuarial valuation during 1977 of a pension plan in which the company's employees participate with employees of affiliated companies, the company has an unfunded liability of approximately \$102,500 which will be paid and charged to income in 14 equal annual instalments of \$10,928.

#### 9. Contingency Liabilities

##### (a) The company has given certain guarantees with respect to coal mining operations in Ohio, U.S.A. conducted by La Luz Ohio, Inc. and another company as joint venturers (see note 3(a)), as follows:

- (i) guarantee of a bank loan made to the joint venturers, to the extent of U.S. \$7,000,000;
- (ii) guarantee of reclamation bonds placed by the joint venturers with the State of Ohio aggregating approximately U.S. \$2,200,000.

As consideration for the guarantee, of the bank loan, the company is to receive a royalty of 10 U.S. cents per ton on coal mined for a period of 10 years from January 1, 1977. (see note 3(a)).

##### (b) A writ was served on the company in 1971 alleging certain wrongful acts and claimed damages of \$1,330,000; however, the plaintiff has not pursued its claim. The company contends that the allegations are unfounded.

#### 10. Anti-Inflation Programme

Dividends the company may pay to its shareholders are limited under federal anti-inflation legislation.

#### 11. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$361,997 (1976, \$323,600).

## TEN-YEAR COMPARATIVE SUMMARIES OF PRODUCTION AND FINANCIAL HIGHLIGHTS

### FINANCIAL RESULTS

|   | 1977                | 1976          | 1975         |
|---|---------------------|---------------|--------------|
| Gross Value of Bullion Production .....       | <b>\$14,207,549</b> | \$ 11,005,763 | \$13,719,301 |
| Average Gold Price Received (per ounce) ..... | <b>\$ 162.50</b>    | \$ 121.67     | \$ 155.00    |
| Petroleum and Natural Gas Revenue .....       | <b>\$ 1,789,039</b> | \$ 683,328    | \$ 217,032   |
| Operating and Administration Expenses .....   | <b>\$ 7,165,487</b> | \$ 6,358,992  | \$ 5,556,750 |
| Depreciation and Amortization .....           | <b>\$ 1,028,483</b> | \$ 821,357    | \$ 835,781   |
| Provision for Income Taxes (net) .....        | <b>\$ 2,290,000</b> | \$ 1,456,000  | \$ 2,640,000 |
| Net Income .....                              | <b>\$ 3,709,992</b> | \$ 2,045,323  | \$ 3,759,899 |
| Net Income Per Share .....                    | <b>\$ 1.08</b>      | \$ 0.60       | \$ 1.10      |
| Cash Flow .....                               | <b>\$ 5,780,125</b> | \$ 3,639,891  | \$ 4,883,035 |
| Cash Flow Per Share .....                     | <b>\$ 1.67</b>      | \$ 1.06       | \$ 1.42      |
| Dividends Paid .....                          | <b>\$ 1,373,243</b> | \$ 1,375,643  | \$ 1,715,454 |
| Dividends Paid Per Share .....                | <b>\$ 0.40</b>      | \$ 0.40       | \$ 0.50      |

### FINANCIAL POSITION (at year end)

|  |                     |              |              |
|--|---------------------|--------------|--------------|
| Working Capital .....                        | <b>\$ 306,101</b>   | \$ 1,419,616 | \$ 2,841,844 |
| Fixed Assets (net) .....                     | <b>\$ 2,771,842</b> | \$ 2,409,536 | \$ 2,810,360 |
| Other Assets and Deferred Expenditures ..... | <b>\$ 8,268,881</b> | \$ 5,998,670 | \$ 4,014,184 |
| Total Assets .....                           | <b>\$25,723,570</b> | \$16,793,871 | \$15,914,479 |
| Long Term Debt .....                         | <b>\$ 2,500,000</b> |              |              |
| Shareholders' Equity .....                   | <b>\$16,891,773</b> | \$13,511,024 | \$12,802,844 |
| Shares Outstanding .....                     | <b>3,526,107</b>    | 3,439,107    | 3,432,107    |
| Share Price High/Low .....                   | <b>\$15.50/8.75</b> | \$11.75/5.00 | \$15.50/7.75 |

### PRODUCTION HIGHLIGHTS

|   |                  |           |           |
|---|------------------|-----------|-----------|
| Tons of Ore Milled .....                    | <b>471,798</b>   | 463,721   | 456,123   |
| Recovered Grade (oz./ton) .....             | <b>0.185</b>     | 0.195     | 0.194     |
| Ounces Gold Recovered .....                 | <b>87,433</b>    | 90,458    | 88,568    |
| Ore Reserves (at year end) — tons .....     | <b>2,117,650</b> | 2,400,550 | 2,725,450 |
| Average Grade (oz./ton) .....               | <b>0.174</b>     | 0.177     | 0.182     |
| Mine Operating Costs — per Ton Milled ..... | <b>\$ 12.51</b>  | \$ 11.90  | \$ 10.66  |
| — per Ounce Recovered .....                 | <b>\$ 67.49</b>  | \$ 61.01  | \$ 55.00  |



| 1974       | 1973          | 1972         | 1971         | 1970         | 1969         | 1968         |
|------------|---------------|--------------|--------------|--------------|--------------|--------------|
| 13,233,960 | \$ 10,548,373 | \$ 5,982,850 | \$ 3,771,978 | \$ 3,331,112 | \$ 3,729,869 | \$ 3,787,957 |
| 162.00     | \$ 107.39     | \$ 59.77     | \$ 41.19     | \$ 36.64     | \$ 43.32     | \$ 41.35     |
| 39,325     |               |              |              |              |              |              |
| 4,290,483  | \$ 3,160,023  | \$ 2,581,980 | \$ 2,160,125 | \$ 2,244,857 | \$ 2,415,438 | \$ 2,334,801 |
| 399,795    | \$ 293,685    | \$ 509,608   | \$ 480,921   | \$ 616,011   | \$ 525,803   | \$ 439,785   |
| 2,575,000  | \$ 2,025,000  | \$ 638,000   | \$ 315,000   | \$ 64,725    | —            | —            |
| 4,903,009  | \$ 4,492,676  | \$ 2,051,377 | \$ 800,759   | \$ 668,510   | \$ 786,516   | \$ 933,678   |
| 1.43       | \$ 1.31       | \$ 0.60      | \$ 0.23      | \$ 0.20      | \$ 0.23      | \$ 0.27      |
| 5,692,183  | \$ 5,061,361  | \$ 2,448,985 | \$ 1,587,680 | \$ 1,349,246 | \$ 1,311,531 | \$ 1,373,463 |
| 1.66       | \$ 1.48       | \$ 0.72      | \$ 0.47      | \$ 0.40      | \$ 0.39      | \$ 0.40      |
| 2,398,375  | \$ 1,705,554  | \$ 682,221   | \$ 341,111   | \$ 341,111   | \$ 341,061   | \$ 511,216   |
| 0.70       | \$ 0.50       | \$ 0.20      | \$ 0.10      | \$ 0.10      | \$ 0.10      | \$ 0.15      |
|            |               |              |              |              |              |              |
| 2,735,915  | \$ 4,570,969  | \$ 2,271,503 | \$ 1,203,596 | \$ 684,962   | (\$ 46,791)  | (\$ 509,462) |
| 2,582,116  | \$ 1,819,779  | \$ 1,748,274 | \$ 1,860,481 | \$ 2,161,101 | \$ 2,406,686 | \$ 2,211,066 |
| 2,226,387  | \$ 1,169,727  | \$ 540,651   | \$ 584,855   | \$ 530,539   | \$ 785,431   | \$ 1,044,037 |
| 2,889,963  | \$ 10,259,688 | \$ 6,712,167 | \$ 4,400,303 | \$ 3,766,657 | \$ 3,919,395 | \$ 4,122,074 |
|            |               |              |              |              |              |              |
| 0,730,899  | \$ 8,187,765  | \$ 5,351,143 | \$ 3,856,987 | \$ 3,522,339 | \$ 3,194,940 | \$ 2,840,841 |
| 3,427,107  | 3,420,107     | 3,411,107    | 3,411,107    | 3,411,107    | 3,411,107    | 3,408,107    |
| 3.25/9.37  | \$ 14.00/3.90 | \$ 5.45/2.39 | \$ 3.90/2.22 | \$ 3.60/2.05 | \$ 7.75/2.85 | \$ 6.75/3.65 |
|            |               |              |              |              |              |              |
| 377,521    | 389,622       | 380,682      | 377,774      | 374,580      | 386,449      | 362,734      |
| 0.216      | 0.251         | 0.263        | 0.243        | 0.243        | 0.223        | 0.253        |
| 81,589     | 98,228        | 100,101      | 91,684       | 90,913       | 86,096       | 91,608       |
| 3,008,000  | 2,631,350     | 2,247,000    | 1,946,460    | 2,174,000    | 2,109,000    | 1,715,303    |
| 0.190      | 0.220         | 0.231        | 0.245        | 0.241        | 0.224        | 0.249        |
| 10.12      | \$ 7.55       | \$ 6.27      | \$ 5.45      | \$ 5.71      | \$ 5.77      | \$ 6.04      |
| 46.70      | \$ 29.71      | \$ 23.84     | \$ 22.50     | \$ 23.53     | \$ 25.88     | \$ 23.93     |

**NOTES:** During the period from the inception of production up to and including 1971, the company received varying amounts of costs-aid under the Emergency Gold Mining Assistance Act. Cost-aid for those years was included in calculating the Operating Profit, Cash Flow from Operations and Net Income. The following are the yearly amounts received from 1968 to 1971, respectively \$40,000; \$90,000; \$367,000; and \$71,000.

## **CAMFLO MINES LIMITED**

HEAD OFFICE: SUITE 3001, SOUTH TOWER, P.O. BOX 45  
ROYAL BANK PLAZA  
TORONTO, CANADA M5J 2J1











programme. The 5 wells which have been drilled to-date have all been completed successfully.

In June 1977 the Company, through its wholly-owned U.S. subsidiary, C.M.L. Inc., took a 15% working interest in a \$2.5 million, 18 month, petroleum exploration joint venture in the Rocky Mountain States operated by Orbit Oil & Gas, Inc. It is anticipated that the first exploration well will be drilled before the end of the year.

In the Orbit East Texas exploration programme, the #1 C. E. Turner well is expected to be in production in September, 1977. In addition, the operators are hopeful that a contract will be finalized shortly to market production from the #1 C. H. Mayes sour gas well. This will require construction of a 20 mile pipe line and surface facilities which will take about 6 months to complete.

It is anticipated that a further exploration well will be drilled in East Texas before year-end in addition to a possible development well off-setting the #1 C. H. Mayes well.

#### LA LUZ MINES LIMITED

Extremely bad weather, wild-cat strikes, and some customer plant and mine start-up problems resulted in a loss during the last six months for the Ohio coal operations. In the latter part of May conditions improved markedly and in June the combined production from the Crown City and Gilbert mines exceeded 90,000 tons. This production level should be maintained and the operations are now showing much improved performance. Provided there are no serious delays caused by wild-cat strikes now prevalent in the coal industry, the coal operations should produce a profit during the last half of 1977.

#### THE KASMERE LAKE URANIUM EXPLORATION PROJECT

The search for uranium ore along the Wollaston Lake Fold Belt in northwestern Manitoba is being intensified. The entire 600,000 acre area has now been flown at 400 foot intervals with a gamma ray spectrometer and numerous highly radioactive anomalies have been outlined.

A twenty-four man team of geologists, geophysicists and assistants is conducting detailed ground surveys over the anomalies. There is very little outcrop in the area and most of the radioactive anomalies are the result of dense clusters of uraniferous boulders. The location of ore in place will have to be established by drilling. To-date there has not been sufficient drilling completed to outline significant ore zones, however, this phase of the operation is now being expanded with three drills operating on the property.

On behalf of the Board of Directors.

"A. W. STOLLERY"  
Chairman.

"G. T. SMITH"  
President.

August 22, 1977.

## CAMFLO MINES LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

For the six months ended June 30, 1977

|   | 1977                | 1976                |
|---|---------------------|---------------------|
| WORKING CAPITAL<br>DERIVED FROM                             |                     |                     |
| Operations  |                     |                     |
| Net Income .....  | \$ 1,521,453        | \$ 1,253,846        |
| Items not involving<br>working capital                      |                     |                     |
| Depreciation and<br>amortization .....                      | 535,847             | 432,011             |
| Deferred income taxes                                       | 305,000             | 130,000             |
| Share of loss of<br>effectively controlled<br>company ..... | 412,137             | 43,006              |
| Other .....   | 10,000              | —                   |
|   | <u>2,784,437</u>    | <u>1,858,863</u>    |
| Long-term debt .....  | 1,200,000           | —                   |
| Proceeds from issue of capital<br>stock .....               | —                   | 38,500              |
| Receipts on mortgages<br>receivable from employees          | 3,317               | —                   |
|   | <u>3,987,754</u>    | <u>1,897,363</u>    |
| WORKING CAPITAL<br>APPLIED TO                               |                     |                     |
| Additions to fixed assets ...                               | 153,654             | 109,218             |
| Petroleum and natural gas<br>properties .....               | 755,062             | 587,474             |
| Exploration advances .....                                  | 41,358              | 68,258              |
| Increase in deferred outside<br>exploration expenditures    | 159,913             | 88,799              |
| Dividends paid .....  | 687,821             | 687,821             |
| Purchase of shares of other<br>companies .....              | 2,269,515           | 423,242             |
| Mortgages receivable from<br>employees .....                | —                   | 45,800              |
| Deferred exploration and<br>development expenditures        | 61,993              | —                   |
|   | <u>4,129,316</u>    | <u>2,010,612</u>    |
| INCREASE (DECREASE) IN<br>WORKING CAPITAL ...               | (141,562)           | (113,249)           |
| WORKING CAPITAL AT<br>BEGINNING OF PERIOD                   | <u>1,419,616</u>    | <u>2,841,844</u>    |
| WORKING CAPITAL AT<br>END OF PERIOD .....                   | <u>\$ 1,278,054</u> | <u>\$ 2,728,595</u> |

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## CAMFLO MINES LIMITED



### QUARTERLY REPORT TO SHAREHOLDERS

For the Six Months ended June 30, 1977



# CAMFLO MINES LIMITED

Suite 3001, South Tower  
Box 45, Royal Bank Plaza  
Toronto, Ontario  
M5J 2J1

To the Shareholders:

Enclosed herewith are the unaudited Consolidated Statements of Income and Changes in Financial Position for the 6 months ended June 30, 1977.

Net income was \$1,521,453, equal to 44¢ per share, and cash flow was \$2,784,437, or 81¢ per share. Comparative figures for the first half of 1976 were net income of \$1,253,846, equal to 36¢ per share, and cash flow of \$1,858,863, or 53¢ per share. These results include the Company's share of losses from La Luz Mines Limited of \$412,137, equivalent to 12¢ per share, compared with \$43,006 or 1¢ per share in the first half of 1976.

## GOLD

43,337 ounces of gold valued at \$6,600,356 were produced from 234,854 tons of ore compared with 46,230 ounces of gold valued at \$5,914,087 from 228,833 tons of ore in the first half of 1976.

Operations at the gold mine were very satisfactory. An increase in productivity permitted the treatment of 1,303 tons of ore per day, up from 1,257 in the first half of 1976, and resulted in a decrease in operating costs to \$11.77 per ton from \$12.10. The cost per ounce increased to \$63.78 from \$59.85 as the average grade of ore treated was 0.185 ounces of gold per ton compared with 0.202 in the first half of 1976.

During the second quarter the average grade of ore treated was only 0.160 ounces of gold per ton. This low grade cycle has ended and in July the grade averaged 0.191. The 84,000 ounce production target for 1977 should be easily attained.

Exploration of fault zones on the 2,550 and 2,700 foot levels continues to outline small ore lenses.

## PETROLEUM AND NATURAL GAS

Revenue from natural gas production, mainly from the Company's interest in the Killam and Holden areas of Alberta, increased to \$733,672 from \$203,947 in the same period last year.

Shareholders will recall that the Company acquired a 25% equity interest in Signalta Resources Limited early in 1976. To-date Signalta has participated in drilling 40 wells in Alberta and British Columbia of which 22 have been cased as potential producers.

In April 1977 the Company took a 20% working interest in an \$8 million, 2 year oil and gas exploration joint venture in Alberta and British Columbia operated by Signalta which, itself, has a 20% working interest in the

# CAMFLO MINES LIMITED

and its wholly owned subsidiary

## CONSOLIDATED STATEMENT OF INCOME (Unaudited)

For the six months ended June 30, 1977

|   | First<br>Quarter<br>1977 | Second<br>Quarter<br>1977 | Six Months<br>June 30<br>1977 | Six Months<br>June 30<br>1976 |
|---|--------------------------|---------------------------|-------------------------------|-------------------------------|
| Tons of Ore Milled .....  | 116,315                  | 118,539                   | 234,854                       | 228,833                       |
| Bullion recovery (ounces) .....   | 24,340                   | 18,997                    | 43,337                        | 46,230                        |
| Gross Value of Production .....   | \$3,626,499              | \$2,973,857               | \$6,600,356                   | \$5,914,087                   |
| Petroleum and natural gas production .....                                    | 368,519                  | 365,153                   | 733,672                       | 203,947                       |
|   | <u>3,995,018</u>         | <u>3,339,010</u>          | <u>7,334,028</u>              | <u>6,118,034</u>              |
| Operating and administrative expenses other than<br>items set out below ..... | 1,534,327                | 1,739,361                 | 3,273,688                     | 3,081,753                     |
| Quebec mining tax .....   | 150,000                  | 150,000                   | 300,000                       | 400,000                       |
| Outside exploration expenditures .....  | 18,041                   | 2,474                     | 20,515                        | 15,454                        |
|   | <u>1,702,368</u>         | <u>1,891,835</u>          | <u>3,594,203</u>              | <u>3,497,207</u>              |
|   | <u>2,292,650</u>         | <u>1,447,175</u>          | <u>3,739,825</u>              | <u>2,620,827</u>              |
| Depreciation .....  | 159,051                  | 159,309                   | 318,360                       | 315,011                       |
| Amortization of preproduction expenditures .....                              | 5,000                    | 5,000                     | 10,000                        | 9,000                         |
| Amortization of deferred exploration and development<br>expenditures .....    | 37,154                   | 36,926                    | 74,080                        | 65,000                        |
| Depreciation and depletion of petroleum and natural<br>gas properties .....   | 71,415                   | 61,992                    | 133,407                       | 43,000                        |
|   | <u>272,620</u>           | <u>263,227</u>            | <u>535,847</u>                | <u>432,011</u>                |
|   | <u>2,020,030</u>         | <u>1,183,948</u>          | <u>3,203,978</u>              | <u>2,188,816</u>              |
| Share of income (loss) of effectively controlled<br>company .....             | (160,207)                | (251,930)                 | (412,137)                     | (43,006)                      |
| Interest and other investment income (expense) .....                          | (36,993)                 | (13,395)                  | (50,388)                      | 38,036                        |
| Income before income taxes .....  | <u>1,822,830</u>         | <u>918,623</u>            | <u>2,741,453</u>              | <u>2,183,846</u>              |
| Income taxes  |                          |                           |                               |                               |
| Current .....   | 600,000                  | 315,000                   | 915,000                       | 800,000                       |
| Deferred .....  | 200,000                  | 105,000                   | 305,000                       | 130,000                       |
| Net income for the period .....   | <u>\$1,022,830</u>       | <u>\$ 498,623</u>         | <u>\$1,521,453</u>            | <u>\$1,253,846</u>            |
| Net income per share .....  | 30¢                      | 14¢                       | 44¢                           | 36¢                           |
| Cash flow per share .....   | 48¢                      | 33¢                       | 81¢                           | 53¢                           |